

Message Text

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44

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-10 ISO-00

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-04 RSC-01 PRS-01 SPC-03 SS-20 USIA-15 COME-00

INT-08 SCI-06 SCEM-02 OMB-01 TRSE-00 CIEP-02 DRC-01

SSO-00 /181 W

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P R 041613Z JAN 74

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC PRIORITY 2279

INFO AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

OECD PARIS 3180

C O N F I D E N T I A L LAGOS 0046

E.O. 11652: GDS

TAGS: ENGR, EFIN, OECD, NI

SUBJECT: BRITISH DISCUSSIONS WITH NIGERIAN OFFICIALS ON
OIL CRISIS

REF: TOKYO 45; LAGOS 10238

1. UK HICOMER SIR CYRIL PICKARD CALLED CHARGE EVENING
JANUARY 3 TO ASK WHAT ACTION WE WERE TAKING VIS-A-VIS FMG
ON OECD/OPEC CONSULTATIONS. I HAD EARLIER INFORMED HIM OF
MY DECEMBER 22 APPROACH TO FEYDEE (LAGOS 10238), AND IN
LONG DISCUSSION WITH SIR CYRIL JANUARY 4 I EXPLORED EFFORTS
HE HAD BEEN MAKING AND SAID DETAILS OF ENERGY ACTION GROUP
PROPOSAL SHOULD BE FORTHCOMING SOON.

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2. SIR CYRIL SAID THAT HE HAD NO CLEARED INSTRUCTIONS BUT HAS OVER PAST SEVERAL WEEKS BEEN TAKING OPPORTUNITIES TO TALK WITH MIN EXT AFF ERIKPO, MEA PERSEC IYALLA, GENERAL GOWON AND MOST RECENTLY MIN MINES AND POWER MONGUNO (ON JANUARY 2). SIR CYRIL SAID HE HAD TAKEN VERY STRONG LINE IN ALL THESE DISCUSSIONS. ARGUING THAT DISASTROUS EFFECTS OF OIL PRICE INCREASE ARE ONLY BEGINNING TO BE DISCERNIBLE AND THAT THESE WILL STRIKE NOT ONLY OECD BUT ENTIRE WORLD ECONOMY, INCLUDING PARTICULARLY LDCS. HE BELIEVES JAPAN AND EUROPE CANNOT POSSIBLY INCREASE EXPORTS SUFFICIENTLY TO PAY FOR ESSENTIAL OIL IMPORTS, AND HE SEES EARLY ECONOMIC CHAOS UNLESS OIL PRICES ARE ROLLED BACK.

3. SIR CYRIL SAID NIGERIAN RESPONSES HAVE BEEN UNDERSTANDING BUT UNPROMISING. GENERAL GOWON SHARED HIS CONCERN BUT INDICTED LEASERSHIP WAS IN ARAB HANDS AND NIGERIA WAS ONLY FOLLOWING. IYALLA ASKED IF SIR CYRIL WAS SERIOUS ABOUT PRICE ROLL-BACK AND POINTED OUT DOMESTIC POLITICAL PROBLEMS THIS WOULD CREATE FOR FMG. MONGUNO WAS SYMPATHETIC BUT POINTED OUT THAT IT WAS OECD OIL COMPANIES WHICH HAD SET JUGGERNAUT IN MOTION BY BIDDING UP OIL PRICES. MONGUNO UNDERSORED THAT NIGERIAN DECEMBER 31 INCREASE WAS MORE RESTRAINED THAN OTHERS.

4. SIR CYRIL ADMITTED THAT NIGERIA IS NOT THE MOST PROMISING PLCE TO APPLY PRESSURE ON THIS ISSUE, BUT HE BELIEVES NO STONE SHOULD BE LEFT UNTURNED. SAID HE HAD SPOKEN WITH INDIAN HICOMER, WHOSE POINT OF VIEW SHOULD REGISTER WITH FMG, BUT INDIAN WAS WITHOUT INSTRUCTIONS. AUSTRALIAN HICOMER, WHO JOINED US FOR THIS DISCUSSION, ALSO LACKED INSTRUCTIONS. SIR CYRIL SAID VARIOUS AFRICAN STATES HAVE MADE APPEALS TO FMG AND HE THOUGHT A COMMONWEALTH CONFERENCE MIGHT HELP BRING LDC VIEWS TO BEAR IN THIS SITUATION, BUT HE DOUBTED COMMONWEALTH CONFERENCE COULD BE ARRANGED.

5. COMMENT: WE SHARE SIR CYRIL'S VIEW EVERYTHING POSSIBLE SHOULD BE DONE AND BELIEVE GREATEST EFFECT SHOULD RESULT FROM COODINATED EFFORTS SUCH AS THOSE TO GET INDIA AND OTHER LDCS TO JOIN RANKS WITH US. EFFECTIVENESS OF SUCH EFFORTS WOULD BE PARTICULARLY STRENGTHENED IF CALCULATIONS COULD BE MADE AVAILABLE SHOWING EFFECT OF OIL PRICE INCREASES ON VARIOUS ELEMENTS OF WORLD
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ECONOMY. IN RECENT CONVERSATION WITH FMG "ECONOMIST", CHARGE WAS EVEN TOLD THAT OIL PRICE INCREASES WOULD NOT NEED TO BE PASSED ON TO CONSUMERS IF OIL COMPANIES WERE WILLING TO CUT DOWN PROFITS TO 30 PERCENT. IN THIS NEVER-NEVER LAND OF WISHFUL THINKING, WE WOULD APPRECIATE ANY HARD FACTS AND CALCULATIONS DEPARTMENT CAN PROVIDE. WHILE NIGERIA MAY NOT BE PLAYING LEADING ROLE IN OIL PRICE ISSUE, IT COULD CONCEIVABLY BE ABLE TO MAKE MODERATING INPUT AT A CRITICAL MOMENT IF WE HAVE MADE PROPER ARTUMENTS AND SUPPORTING

DATA AVAILABLE. WOULD APPRECIATE WASHINGTON GUIDANCE ASAP.
CROSBY

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